

Message Text

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PAGE 01 KABUL 00340 160630Z

21

ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 AGR-05 IGA-01 INT-05 L-02 H-01 IO-10 FEA-01

OES-03 /107 W

----- 048118

R 160410Z JAN 75

FM AMEMBASSY KABUL

TO SECSTATE WASHDC 1039

INFO AMEMBASSY ISLAMABAD

AMEMBASSY NEW DELHI

AMEMBASSY MOSCOW

AMEMBASSY TEHRAN

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E.O. 11652; NA

TAGS: EAID, ECRP, EFIN, AF, UR

SUBJECT: SOVIET-AFGHAN AID AND DEBT RESCHEDULING AGREEMENT

REF: A) CERP 0002; B) KABUL A-94, 11/17/74; C) CERP 0003;

D) KABUL 109 (NOTAL)

1. KABUL RADIO ANNOUNCED JANUARY 14 THAT MINISTER OF PLAN-
NING KHURRAM HAD INITIALED TWO AGREEMENTS DURING HIS RECENT
VISIT TO THE SOVIET UNION. THE FIRST PROVIDED FOR A LOAN
"ON CONVENIENT CONDITIONS" OF 308 MILLION RUBLES (APPROX
\$412 MILLION) FOR "TECHNICAL COOPERATION FOR SURVEYS
AND OPERATION" OF SEVERAL PROJECTS. PRESUMABLY DETAILS AS TO
PROJECTS WILL BE FORTHCOMING LATER. IN ADDITION, KHURRAM
SIGNED AN AGREEMENT FOR AN INTEREST-FREE DELAY IN REPAYMENT OF
100 MILLION RUBLES DEBT (APPROX \$134 MILLION). THIS DEBT IS
NOW TO BE REPAYED IN TEN EQUAL INSTALLMENTS DURING THE PERIOD
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PAGE 02 KABUL 00340 160630Z

1986 TO 1995. FORMAL SIGNING OF THESE AGREEMENTS WILL TAKE

PLACE LATER AT AN UNSPECIFIED DATE.

2. NEITHER OF THESE AGREEMENTS ARE NEW. THEY MERELY IMPLEMENT AGREEMENTS REACHED AND ANNOUNCED DURING PRESIDENT DAOUD'S VISIT TO MOSCOW IN JUNE OF 1974. HOWEVER, THE DETAILS ARE NEW. THE INITIAL ANNOUNCEMENT OF THE AID PACKAGE GAVE NO VALUE, MERELY SPECIFIED ASSISTANCE ON "21 PROJECTS", WHICH WERE VAGUELY DEFINED. THE RUBLE FIGURE INDICATES THAT THEY HAVE PROBABLY REFINED THEIR PROJECT LIST, WHICH WILL INCLUDE, AT MINIMUM, A MAJOR IRRIGATION-CUM-POWER SCHEME ON TRIBUTARIES OF THE AMU DARYA RIVER (THE OXUS), AND ASSISTANCE IN EXPLOITATION OF COPPER DEPOSITS IN THE LOGAR VALLEY NEAR KABUL AND IRON DEPOSITS AT HAJIGAK IN THE MAZARAJAT MOUNTAINS. THE TERMS OF THE DEBT RESCHEDULING ARE BETTER THAN HAD BEEN PREVIOUSLY KNOWN. INITIAL REPORTS INDICATED A REPAYMENT IN FIVE EQUAL INSTALLMENTS OF 20 MILLION RUBLES EACH OVER A FIVE-YEAR PERIOD, 1980-85. THESE TERMS EXTENDING THE RELIEF MAY HAVE RESULTED FROM THE GROWING AFGHAN APPREHENSION OF THE CURRENT DECLINE IN AFGHANISTAN'S TERMS OF TRADE, WHICH IS LIKELY TO RESULT IN TRADE DEFICITS OVER AT LEAST THE NEXT FIVE YEARS. THE COMMERCE INDUSTRY HAS JUST ANNOUNCED A TRADE SURPLUS FOR THIS YEAR OF ABOUT 18 MILLION AFGHANIS (APPROX \$3 MILLION), BUT IS EXPECTING A DEFICIT NEXT YEAR OF AT LEAST \$5 MILLION.

3. COMMENT: EMBASSY BELIEVES GOA TRADE BALANCE PREDICTIONS ARE EXTREMELY OPTIMISTIC UNLESS SOVIET TALKS PRODUCE SOME HORSE TRADING WHICH WAS NOT ANNOUNCED. EMBASSY'S LATEST ESTIMATE OF TRADE BALANCE FOR THIS YEAR SHOWS DEFICIT OF \$34 MILLION WITH PROJECTED DEFICIT OF \$86 MILLION FOR NEXT YEAR BASED ON INCREASED PRICES FOR BARTER AGREEMENT IMPORTS NOTABLY SUGAR AND PETROLEUM PRODUCTS (REF D). IF GOA PREDICTION WAS MEANT TO REFLECT OVER-ALL BALANCE OF PAYMENTS, NOT RPT NOT TRADE BALANCES, GOA ESTIMATE FOR THIS YEAR COULD BE CORRECT, BUT ESTIMATE FOR NEXT YEAR WOULD BE SUBSTANTIALLY CONTRARY TO ESTIMATE PREVIOUSLY SUPPLIED BY GOA AS REPORTED IN REF D, EVEN DISCOUNTING TOTAL DEBT RELIEF FOR SOVIET UNION FOR NEXT YEAR.

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